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ABSTRACT

Recommendations for state and federal policies on need-based student assistance are presented in this position paper from the Education Commission of the States. Student assistance is viewed as one of the most effective ways of meeting state and national goals for expanding access and choice in postsecondary education. The importance of effective collaboration between state and federal level programs to insure that assistance is given to the students who need it most is emphasized. The concept of a federal-state institutional partnership in student aid is discussed. A set of six guidelines is proposed as a policy base. These include recommendations concerning: coordination of programs, accessibility of education, need-based student assistance, the Basic Educational Opportunity Grant program, and the state and federal roles in student assistance. Nineteen policy recommendations are advanced for state programs, federal programs, and state-federal institutional partnerships. (SF)

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ECS POLICY

1978 STUDENT ASSISTANCE RECOMMENDATIONS

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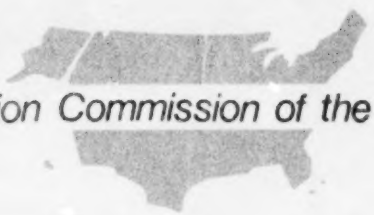

Education Commission of the States

HE 011 852

FOREWORD TO STUDENT ASSISTANCE POLICY RECOMMENDATIONS

With the impending authorization in 1979 of the Higher Education Act as amended, the recommendations on state and federal policies for student assistance of the Education Commission of the States (ECS) takes on a special relevance. The commission's concern with student assistance goes back to 1969 with the formation of a task force on student assistance. The commission has consistently maintained that student assistance is one of the most effective ways of meeting state and national goals of expanding access and choice and insuring that no student is barred from postsecondary education for economic reasons. ECS has urged also that student assistance is both a state and a federal responsibility and that an adequate student aid system cannot be developed without an effective state/federal/institutional partnership both in student aid funding and delivery. During the past two years ECS, withe help of a contract from the U. S. Office of Education, has conducted an in-depth study of state student aid programs.

This policy statement is based in part on the data growing from the study, in part on the involvement of the commission in student aid developments over the last eight years -- including the National Task Force on Student Aid and the Coalition for Coordination of Student Aid that ECS cosponsors -- and in part on concerns expressed by commissioners. It has been reviewed, and comments have been received from the State Higher Education Executive Officers, from the National Association of State Scholarship and Grant Programs, and from the National Council of Higher Education Loan Programs. Their suggestions have been considered in developing the final version of these recommendations. The statement was reviewed and approved by the Education Commission of the States' Steering Committee in Albuquerque in April 1978 and then approved by the ECS annual meeting of commissioners in Indianapolis in June 1978. It represents the official position of ECS and will serve as a basis for recommendation to the Executive branch, Congress and the states for improvements in the student aid system.

STATE AND FEDERAL POLICIES FOR NEED-BASED STUDENT ASSISTANCE

I. INTRODUCTION

Equal Access and Opportunity

The Education Commission of the States (ECS) has shown a continuing concern for adequate student assistance programs as a way of expanding access and opportunity for students in postsecondary education. The commission has had a special concern that federal, state and institutional assistance programs fit together into a coherent program and has taken a leadership role in working toward a more effective partnership of institutions, states and the federal government in the operation of the many programs that have been developed.

Student assistance programs are the primary way in which the federal government provides support for postsecondary education and, although student assistance funds are only a small part of the total state support of postsecondary institutions, states have an important role to play. While there are important connections between student assistance and the total pattern of financing postsecondary education, this policy statement focuses on student assistance and its role in expanding student opportunity; it does not address the broader financing implications.

Federal-State-Institutional Partnership

A 1971 ECS task force report, *Postsecondary Education Opportunity: A Federal-State-Institutional Partnership*, was one of the first national reports calling for effective collaboration among all programs to insure that assistance is given to the students who need it most. Since the 1971 report, which influenced the shape of the 1972 student aid programs enacted by the federal government, ECS has adopted a number of resolutions on student aid (see *ECS Policy Positions*, 1965-77). In addition to its concern with federal programs, the commission has encouraged states to develop their own programs or expand existing ones. Student assistance continues as a high-priority issue on the federal-state policy agenda. Even though most states now have some form of student assistance program and the federal government has made major increases in funding, the concept of a federal-state-institutional partnership in student aid is still unfulfilled. State decisions about student aid awards still have to be made with limited knowledge of the awards being made by the federal government, students still have to make multiple applications for aid in some states, only half the states operate Guaranteed Student Loan Programs and a number of states do not have comprehensive policies and programs to implement their state goals for access to, and choice of, postsecondary education.

Federal Funding

The Administration's Fiscal Year 1979 budget recommends more than $4 billion in need-based student aid, grants, work-study and subsidized loans. In addition, nearly $4 billion more is projected for Social Security beneficiaries and the G. I. Bill. State appropriations for student aid are approaching $1 billion. The various state and federal programs often serve diverse students, overlap in some ways and are still inadequately coordinated.

All Student Assistant Programs

The current major federal, state and institutional programs are the federal Basic Educational Opportunity Grants (BEOG); more than 75 different state grant programs in most of the 50 states; the federally funded Supplemental Educational Opportunity Grants (SEOG) and College Work-Study programs (CWS), both administered by institutions; and institutionally provided support for student grants and work opportunities. The federal government guarantees loans and subsidizes the interest cost of loans that are made by private lenders in the Guaranteed Student Loan Program (GSLP), which is administered in more than half the states by a state loan agency. The federal government also provides capital directly to institutions for subsidized low-interest loans in the National Direct Student Loan Program (NDSL). The types of programs needed are available, but they need to be more effectively related to each other and more effectively provided to the students.

In 1979 the federal government will be reauthorizing its programs of student assistance. Accordingly, it is important that the states' concerns with student aid issues be clearly formulated now and communicated effectively to the federal government.

II. GUIDING ASSUMPTIONS

The following guiding principles should be the basis upon which particular policy suggestions are evaluated. They should provide guidelines for the acceptance or rejection of specific policies:

Coordination of Programs

A. A function of student assistance programs is to help provide educational opportunity to all citizens of the country who desire and can benefit from it. Diverse programs should be organized and coordinated to insure that student aid moves as efficiently and effectively as possible to those students who need it.

B. The federal government, the states and postsecondary educational institutions all have responsibility for insuring access and choice to students who, for economic or social reasons, would otherwise not be able to attend postsecondary institutions appropriate to their interests, needs and abilities. Low tuition is an important means of providing access. For students coming from low-income families, however, even low tuition frequently requires supplementation by student aid.

Need-based Assistance Programs

C. A complete program of need-based student assistance should provide grants that cover part of students' economic needs, virtually all of the need of low-income students and self-help opportunities (both work and loans) that, together with parental contributions, meet the remaining needs.

BEOG

D. The federal Basic Educational Opportunity Grant Program (BEOG) provides the foundation on which other need-based grant programs build. State programs, institutionally based programs and self-help work and loan programs should not only complement and expand access, but help to provide choice among institutions. State and institutional grant programs extend opportunity to students whose needs are not adequately covered by the BEOG program, including

middle-income students, students attending higher-cost programs and other special populations.

E. Basic support for and policy making about postsecondary education occurs at the state level. Because of the state's primary role in the support of education and the provision of educational opportunity, states need to have a major role in coordinating student aid, even though a major part of the money for student aid comes from the federal government. States are more closely involved with institutions and students than the federal government and states are able to assist a wider range of citizens and students. Accordingly, where feasible, information dissemination and collection, processing and program administration for student aid should be decentralized to the state level.

F. In operating student assistance programs, the federal government should respect the diversity of state structures and laws for providing educational opportunity. Federal laws and guidelines for student assistance should not limit different state approaches to achievement of national goals of educational opportunity.

It is primarily through the state programs and institutionally based programs that funds can be provided to give students a choice of attending more expensive programs in independent institutions. Through its matching funds, the federal State Student Incentive Grant (SSIG) program has encouraged all states, territories and commonwealths to establish programs, but some of them are very small. The federal government should provide additional incentives to expand state programs of student financial aid.

III. POLICY RECOMMENDATIONS

Recommendations are presented for state policy, for federal policy and the interrelationship of federal-state-institutional interests. The goal of all programs should be to insure that all student aid programs are administered effectively and efficiently and that students receive the appropriate financial aid package with the minimum of bureaucratic obstacles.

A. Recommendations for States

State Programs

There are a number of policy issues that states face in relation to their own student financial assistance programs. States are currently appropriating about $750 million in need-based student aid (not including loan programs). In order to insure that state programs effectively expand access and help provide choice, the states should consider the following:

Basic Educational Opportunity Grant Program (BEOG)

1. *State grants should have the goal of meeting student needs that remain after the federal grants have been taken into account.* State need-based grant programs should be designed to complement Basic Educational Opportunity Grants (BEOG), to expand access, to provide for choice and to be responsive to specific state needs. All states have developed some form

of student aid programs. Almost half of these were developed because of the availability of federal matching funds in the State Student Incentive Grant (SSIG) program. Because the federal government supplies the major portion of the funds for student assistance, it is important to clarify both the state and federal roles. In order to determine the respective federal and state roles in student aid programs, it is necessary to develop an overall concept of ways in which student aid programs operate.

The federal Basic Educational Opportunity Grant (BEOG) program should be the base for all other student aid awards including federally supported programs of self-help. The primary function of the BEOGs should be to expand access. Where feasible, application for such grants should be a condition for consideration for state or institutional grants. Through the use of a common application form, automatic consideration for a BEOG as the first-level award should be encouraged in all states.

Comprehensive Program

2. *General state grant programs should be available to students at independent as well as public institutions where not otherwise prohibited by law* (such as state constitutional or statutory prohibitions against aiding private institutions or students studying religion, theology or aiding students attending institutions whose primary purpose is religious instruction). To date, the State Student Incentive Grant program has been sufficiently flexible so that a variety of state programs could qualify for the matching funds. There is, however, the danger that the program will be used to pressure states to redesign their aid programs to meet uniform federal objectives, a process that may be inconsistent with state law or state constitutional limitations. The purpose of the SSIG program should be to encourage states to establish and expand programs consistent with state goals.

Statewide Planning

3. Because student aid is part of the total picture of financing postsecondary education within the states and because providing for student access and choice is primarily a state responsibility, *statewide planning for postsecondary education should include planning for student aid as an integral part of the total planning* to extend access and choice of institutions for students. Student aid should not be linked to a high tuition policy. States should retain the responsibility to establish tuition policy that is consistent with both access and adequate funding of institutional programs.

Portability and Reciprocity

4. The federal government should not mandate that state funds be available for use at out-of-state institutions. However, since a primary purpose of state programs is to provide for and encourage choice of the best institution or program for each state resident consistent with student interests and abilities,

states should consider development of portability or, where this is not feasible, reciprocity arrangements with other states so that students can use state grants at a wider range of institutions, both in state and out of state.

5. While academic success or potential may be used as one criteria in state need-based programs, need-based programs should be clearly distinguished from specific awards for academic achievement. *The primary goal of state grant programs should be to reduce the financial barriers to college for low- and middle-income students.* This goal should be clearly distinguished from other purposes of student aid such as (a) grants to students attending private institutions for tuition equalization without regard to need, (b) special purpose grants for athletics, (c) incentives to occupational or professional recruitment, (d) academic achievement and (e) enhancement of other cultural or social goals. While the latter purposes are appropriate, they should not be considered part of the need-based state student aid program. States should examine their student aid policies and programs to be sure that the combination of federal, state and institutional programs are adequate to meet state goals for access and choice for all students.

Need-based Programs

Low- and Middle-Income Students

6. *States that have not developed their own federally insured Guaranteed Student Loan programs and agencies should do so.* Default rates of state guaranteed loan agencies are lower than in the direct federal program and the states are in a much better position to work closely with lenders within their states. The Education Amendments of 1976 included incentives for states without Guaranteed Student Loan programs to develop such programs along with a gradual phase-out of the federal Insured Student Loan Program. Some of these incentive provisions have not been funded. On the whole, state programs have experienced lower default rates than the direct federal program. ECS recommends development of state Guaranteed Student Loan programs in all states because loans are an integral part of student self-help provisions.

Guaranteed Student Loan Programs

7. *The states should take a primary role in insuring that students receive adequate information about student aid opportunities* -- federal, state and institutional -- along with information about institutions and programs to enable them to make enlightened choices. The development of educational information centers and other activities can facilitate this goal. The states should develop administrative capabilities to provide support for student financial aid programs including training programs for student aid officials in the state and provision of information on available student aid programs.

The Education Amendments of 1976 provided funds for two state initiatives to help improve the management

and coordination of student aid at the state level. One is the Educational Information Center (EIC) program that provides federal funds to states to assist in the development of educational information centers that will provide information to students about available financial aid programs. Second are the funds for State Student Financial Aid Training Programs (SSFATP). This program assigns to the states the role of principal coordinator to carry out the federal-state-institutional partnership through comprehensive training of state and institutional financial aid administrators. Two major shortcomings of this program need attention: (a) secondary school guidance counselors and GSL lenders should be included among the "aid administrators" to participate in the program, and (b) the federal BEOG training programs should be incorporated within the training programs structure and schedule in participating states.

State Administration and Processing of Aid

8. *Those states that do not now have the capacity to take part in decentralized administration and processing of federal as well as state student aid programs should consider the development of such capabilities either individually or in cooperation with other agencies or neighboring states.* State coordination of student aid would be facilitated if those states with the desire and administrative and technical capability could process the federal grant applications, rather than continue the present pattern of national processing. Some progress has been made in this direction. The multiple data entry system, the common student application form and a uniform methodology for measuring a family's ability to pay are important steps in the coordination of state and federal student aid programs, but they are only part of the total coordination, of which several states are capable. The advantage of state processing lies in decentralization and bringing the process closer to students and institutions, facilitating common forms, coordinating state programs with the Basic Educational Opportunity Grant program and eliminating redundant processes. State processing, where the state is interested and capable of doing so, should be provided for in the law beyond the limited experimental basis that is now possible.

Common Single Form For Student Aid

9. *The states in cooperation with the federal government should work to accelerate the current use of a common form and adoption of a single form for application to all state, federal and institutional need-based student aid programs and adoption of a single form for application to all state, federal and institutional need-based student aid programs and adoption of a uniform methodology for measuring a family's ability to pay. This would both simplify the application process and underline the interrelation among the different programs and their relative availability to students.*

B. Recommendations for the Federal Government

Federal Responsibility

The federal government provides the largest share of student financial aid dollars. Changes in federal policy affect not only students but also institutions and state policy. The following recommendations for federal programs will help improve the overall effectiveness of student aid programs.

1. *The federal Basic Educational Opportunity Grant (BEOG) program should be the base for all other student aid awards.* Its primary purpose should be to provide access. For students eligible for them, BEOGs should serve as the first-level award.

2. *The federal Supplementary Educational Opportunity Grants (SEOG) and other institutional grants made by institutions should complement state and federal awards and meet unique student needs* related to individual and/or family conditions and institutional costs and should further reinforce opportunity for choice. The SEOGs should be administered by institutions to meet unique student needs not covered by the uniform provisions of basic grants or state grants. Institutional aid can provide assistance on an individualized basis that is related to individual and family conditions.

3. *The formulas for distributing federal funds for College Work-Study, Supplemental Educational Opportunity Grants and National Direct Student Loans (NDSL) programs to the states should include an independent measure of financial need.* These federally funded programs are still not fully integrated into a total program. Currently they bypass the states administratively and the distribution of funds to the states takes place on the basis of enrollments rather than assessment of need, with the exception of the College Work-Study formula. New state distribution formulas must be developed that reflect the program intent to serve the students with financial need.

4. *The federal State Student Incentive Grant Program should be expanded to help strengthen the state-federal relationship in student aid.* The program should continue to provide for state flexibility in designing complementary assistance programs and should not be used by the federal government to attempt to produce uniformity in all state student aid programs.

C. Recommendations for a State-Federal-Institutional Partnership

Improvements in student aid programs are dependent on the mutual cooperation of the three partners in an atmosphere of trust. The following recommendations should lead to these improvements.

Saving For Postsecondary Education

1. *The federal government, and the states and the institutions should explore the development of programs to encourage and facilitate the ability of families and students to plan and save for the future funding of their childrens' postsecondary education.* Currently New York has authorized tax-sheltered savings programs for college expenses, similar to Keogh-type retirement savings programs. This and other incentives to saving for college expenses should be encouraged.

Self-Help Contributions

2. *The federal government, the states and the institutions should provide more adequate self-help opportunities for graduate and professional students and should provide grants that encourage graduate attendance by able disadvantaged students, minorities and women.* Loans become a progressively important part of the support package for middle-income students. Loans are also important as self-help for graduate and professional students. With the virtual elimination of graduate student fellowship grants by the federal government, loans and work opportunities become the means for most graduate students for financing their continuing education.

   Professional education fields such as law and medicine are costly to the student, and ample loan funds should be available to enable these students to finance their education. Because their education usually results in highly paid employment, it is more advantageous for most professional school students to borrow to finance their education, rather than trying to finance it through work. In both professional and graduate education, some grants for special groups, such as minorities and women that have been underrepresented in professional and graduate education, should be available. Both the states and federal government should provide financing for them.

Part-Time and Nontraditional Students' Needs

3. *Existing student aid programs should be modified to help meet the financial needs of part-time and nontraditional students.* There are an increasing number of part-time and nontraditional students enrolling in colleges. This poses some special problems for student financial aid programs. It is difficult to determine the financial need of students who have the opportunity to work outside the school. There is evidence, however, that part-time students have lower family incomes than full-time students and need more financial aid. States and the federal government need to understand the problems of part-time and nontraditional students and develop strategies of financial support appropriate to their needs.

States' Responsibility

4. *The administration of federal student aid programs should be decentralized to the states to the extent feasible* as the states should have primary responsibility for coordination of student financial aid

programs. The states could play a more central role in processing basic grant applications where feasible, in providing students with information about student aid programs and educational options, in coordinating student aid administrator training programs and in coordinating the management information about student aid awards. States should develop administrative capacities to carry out support for student financial aid programs including training programs for student aid administrators across the state, provision of information on available student aid programs and processing of student aid applications. Realization of this goal will require continued cooperation of state, federal and institutional representatives.

5. *The self-help programs, including work-study and loans, should insure that all students have a way of providing their own support to the degree necessary and desirable.* Self-help in the form of employment, work-study and loans must be an integral part of a comprehensive student aid program. Self-help is necessary because federal and most state grant programs are limited, by design, to meeting only part of the need, and some self-help is essential. It should be state and federal policy that all students have access to work opportunities and loans to meet financial need or to supplement family contributions. States should develop work-study programs to supplement federally and institutionally supported programs. Such help is important for all students but becomes particularly important for middle-income students.

Self-Help Programs

6. There has been increased concern about fraud, abuse and error in student financial aid programs. ECS believes that *it is preferable to improve the management and coordination of these programs before passing restrictive legislation at the federal level that will make the operation of the programs more difficult.* Improved management means a closer cooperation between institutional, state and federal representatives. Currently all the states have the potential to play a key role in improving the management of student aid programs. As these state functions are carried out and general management is improved, there should be a reduction in the cases of fraud, abuse and error that have arisen in some financial aid programs. Increased state involvement in the Guaranteed Student Loan program should also decrease the loan default rate that the federal program has experienced.

Fraud and Abuse

IV. SUMMARY OF POLICY RECOMMENDATIONS

The preceding policy recommendations are important guideposts in the development of continually evolving relationships in the student financial assistance area. The following summarizes these recommendations:

A. Recommendations for States

State Responsibility

1. State grants should have the goal of meeting student needs that remain after the federal grants have been taken into account.

2. General state grants should be available to students at independent as well as public institutions where not otherwise prohibited.

3. Statewide planning for postsecondary education should include planning for student aid as an integral part of the total planning to expand access and choice.

4. States should consider development of portability arrangements or, where this is not feasible, reciprocity with other states so that students may use state grants at a wider range of institutions.

5. The primary goal of state grant programs should be to reduce the financial barriers to college for low- and middle-income students.

6. States that have not developed their own federally insured Guaranteed Student Loan Programs and agencies should do so.

7. The states should take a primary role in insuring that students receive adequate information about student aid activities.

8. Those states that do not have the capacity to take part in decentralized administration and processing of federal as well as state student aid programs should consider the development of such capabilities either individually or in cooperation with neighboring states or other agencies.

9. The states, in cooperation with the federal government, should work to accelerate the use of a common or single form and a uniform methodology for determining a family's ability to pay. A single form should be developed for applications for all state, federal and institutional need-based student aid programs.

B. Recommendations for the Federal Government

Federal Responsibility

1. The federal Basic Educational Opportunity Grant program should be the base for all other student aid awards.

2. The federally financed Supplemental Educational Opportunity Grants and other institutional grants made by institutions should complement state and federal awards and meet unique student needs.

3. The formulas for distributing federal funds for College Work-Study, Supplemental Educational Opportunity Grants and National Defense Student Loans to the states should include a measure of financial need at the state level.

4. The State Student Incentive Grant program should be expanded to help strengthen the state-federal relationship in student aid.

C. Recommendations for State-Federal-Institutional Partnership

State-Federal-Institutional Partnership

1. The federal government and the states should explore the development of programs to encourage and facilitate families and students to save for the future cost of postsecondary education.

2. The federal government and the states should provide more adequate self-help opportunities for graduate and professional students and should provide grants that encourage graduate attendance by able disadvantaged students, minorities and women.

3. Existing student aid programs should be modified to help meet the financial needs of part-time and non-traditional students.

4. The administration of federal student aid programs should be decentralized to the extent feasible.

5. The self-help programs, including work-study and loans, should insure that all students have a way of providing their own support to the degree necessary and desirable.

6. Fraud, abuse and error should be controlled and could be by improving the management and coordination of student aid programs before passing restrictive legislation at the federal level that will make the operation of the programs more difficult.

The Education Commission of the States is a nonprofit organization formed by interstate compact in 1966. Forty-six states, American Samoa, Puerto Rico and the Virgin Islands are now members. Its goal is to further a working relationship among governors, state legislators and educators for the improvement of education. This report is an outcome of one of many commission undertakings at all levels of education. The commission offices are located at Suite 300, 1860 Lincoln Street, Denver, Colorado 80295.

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